



California Department of Veterans Affairs

NEWS FOR VETERANS

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April 22, 2005

FITCH RATES CALIFORNIA DEPT OF VETERANS AFFAIRS \$82.6MM REVS 'AA-'

(BusinessWire) April 11, 2005 Fitch Ratings has assigned an 'AA-' rating to the \$82.6 million California Department of Veterans Affairs home purchase revenue bonds, 2005 series A. Additionally, the 'AA-' rating is affirmed on the \$575.8 million outstanding home purchase revenue bonds. The bonds are pricing this week, underwritten by Bear Stearns & Co., Inc.

The long-term rating on the revenue bonds continues to reflect the credit assessment of the overall program. In addition to the revenue bonds, there were \$1.4 billion general obligation bonds outstanding at June 30, 2004. The program's credit strengths continue to center on its high net asset position, better matched cash flow projections, a generally well-performing, diverse \$1.5 billion loan portfolio, and the 1998 adoption of mortgage insurance requirements. At June 30, 2005, the fund's retained earnings were \$249 million, or 12.2% of bonds outstanding and 16.3% of loans outstanding. The availability of surplus funds provides a strong cushion against potential loan losses, liquidity stress from varying prepayment activity, and weakened investment earnings in low interest rate environments.

The surplus funds remain a centerpiece of the program's credit strength. In addition to the 1998 programmatic changes that required eligible new loans with high loan-to-value ratios (LTVs) to be U.S. Department of Veterans Affairs (VA) guaranteed (\$170 million outstanding), at Dec. 31, 2004, approximately \$645.9 million of the outstanding portfolio is now covered by primary mortgage insurance policies with a 2% deductible that will limit but not eliminate the fund's exposure to loan losses. Of the remaining uninsured loans of \$723.2 million only \$36.8 million have loan-to-value percentages over 80%.

Credit concerns center on the program's marginal financial performance, a reduced loan rate initiated in 1999 that continues the planned drawdown of retained earnings, and the program's exposure to loan losses from the deductible amount of the insurance policy. Ongoing concerns remain, related to the fund's sensitivity to prepayments and short-term investment rates as a result of the high-coupon, noncallable portion of debt that will be outstanding over the next several years, but continue to be mitigated by the ongoing refunding program and available liquidity.

Bond proceeds will be used to refund approximately \$82.6 million of prior bonds, reducing overall borrowing costs of the program.

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NEWS FROM THE SIMON WIESENTHAL CENTER

"THE MARCH OF GRATITUDE" WILL TAKE PLACE SUNDAY, MAY 8, 2005

On Sunday, May 8, 2005, from 10:00 a.m. to 12:00 p.m., the Simon Wiesenthal Center and the City of Los Angeles are co-sponsoring "The March of Gratitude" to thank the U.S. Armed Forces for defeating the Nazis 60 years ago to the day, the date of total victory in Europe. The purpose of this event is to express the Center's and the City's true gratitude for a group that we never do enough for or say thank you to often enough.

"The March of Gratitude" will begin at 10:00 a.m. from the Avenue of the Stars East and head down Pico Blvd. to the Museum of Tolerance at 9786 West Pico Blvd. (at the corner of Pico and Roxbury) in Los Angeles. Veterans of all wars, current members of the military, and survivors of the Holocaust who were liberated by U.S. Armed Forces 60 years ago will lead "The March of Gratitude". A formal program, with outdoor seating, will be held at the Museum of Tolerance beginning at 11:00 a.m., shortly after a hoped for flyover by U.S. military aircraft.

Veteran of all wars are encouraged to participate in this march. Please be at the staging area by 9:00 a.m. on the day of "The March of Gratitude." For more information contact:

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MEMORIAL DAY 2005 EVENTS

The Memorial Day 2005 Events listing/calendar will be posted on CDVA's website very soon. Please forward your organization's Memorial Day 2005 Events to us as soon as possible for inclusion in this listing/calendar. Email the information for your event to newsforveterans@cdva.ca.gov. You may also fax your information to 916.653-2611 attention Jaime Arteaga.

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